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IV. CURRENCY

A. Currency System

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652 After the establishment of the People's Bank of China in Shih-chia-chuang of Hopei Province on December 1, 1948, Jen-min-p'iao (People's Banknotes) were first issued. They have become the uniform currency of Communist China. They are the monetary unit for all tax payments, settlement of accounts, and computation of commodity prices. Circulation of all gold, silver, and foreign currencies has been prohibited. Since March 6, 1951, the circulation of Jen-min-p'iao has been restricted to Communist China only, and export of the notes forbidden.

The Jen-min-p'iao is not redeemable in any precious metal nor interchangeable with any foreign currency. No provision is made for limiting its issue. The Communists' rationalization of their monetary system evolved from a very primitive theory to a more advanced one. At an early stage, the Communists explained that the note issue was backed by foodstuffs and cloth. Later the regime claimed that "the increasing stability of the currency is borne out by the balance of the budget, by the balanced distribution of supplies, and by the balance of cash receipts

436 and expenditures." Recently the regime has
652 referred to other indicators of the currency's value --i.e., the balance of international payments and the resulting increase of foreign reserves. It would appear that the Communists discovered during the period of currency inflation the Chinese people's instinctive ability to distinguish between good and bad money and have had to find plausible monetary theories to quiet the people's anxiety.

The Communists have kept the amount of note issue strictly secret, yet the progress of inflation becomes evident in observing the increase of the notes' denominations. The Jen-min-p'iao was first issued in denominations of 1, 5 10, 20, 50 and 100 yuan. By the second half of 1949, the printing of notes was speeded up to cover huge government deficits. The small denomination notes were no longer found practical, and larger denominations of 200, 500 and 1,000 yuan were successively introduced. Between February and April 1950 an additional issue of 5,000 and 10,000 denomination notes was made. Finally the denomination was enlarged to 20,000 and 50,000 during 1953-54.

On March 1, 1955, a new kind of People's Banknotes in small denominations was issued,

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436 and current People's Banknotes were called in.
452 The major denominations of the new currency are 1, 2, 3, 5, and 10 yuan. The smaller denominations are 1, 2, and 5 fen (100 fen equal one yuan) and 1, 2, and 5 chiao (10 chiao equal one yuan). A new one-yuan note is equivalent to 10,000 yuan note of the old currency. All old banknotes outstanding in denominations above 5,000 yuan were to be exchanged at the People's Bank before the end of April 1955, and denominations of 5,000 and less not later than June 10, 1955.

A statement made by the vice-premier and concurrent finance minister of Communist China on the issue of the new currency is worth noting. He admitted for the first time that inflation existed under the Communist regime but, ironically, heralded the new banknote issue at the rate of 1 to 10,000 of the old notes as the cure for inflation. At the same time, he revealed the true objective of the new issue by adding that it would aid considerably in accounting for the possession and use of money in China.

Although the Bank of China quotes a foreign exchange rate for the Jen-min-p'iao, the quotation does not reflect the real value of the Chinese currency in international monetary terms. Frequent revisions were made in

436 the rate until May 1951, but since then few
652 changes have been announced. No exchange rate in terms of the American dollar have been quoted since the United States government enforced the embargo on trade with Communist China in 1950. Figures on the cross rate of the Hong Kong currency, quoted by the Communists at HK$2.34 per PB¥1, one People's Banknote is valued at US$0.385. Despite the fact that these evaluations have not been tested on the open market and that the old currency was subject to inflation, a responsible official of the People's Bank publicly announced that the new currency of China was one of the most stable in the world.[18]

B. Currency Control

The Communists found currency control in Southwest China more necessary than in other areas because the people in the region were more experienced in facing the problems of an unsound currency. For more than two decades after the establishment of the Republic in 1911, Szechwan warlords practiced all kinds of currency manipulation; they debased silver dollars, silver coins, and even copper coins, issued unbacked paper notes through local

18. Ibid., Peking, March 20, 1955.

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436 banks and private armies, and repudiated the 652 redemption of banknotes issued against real reserves. These same practices were duplicated in Yunnan on a smaller scale. As a result, the people in these provinces were always alert to protect their interests whenever monetary inflation, debasement, or manipulation occurred. The warlords had not been able to derive much revenue from debased currency and inflated notes because the people refused to accept such money.

During the inflation under the Nationalist Government from 1938 to 1949, the people of the Southwest Region tried to exchange banknotes for gold and commodities. After the Communists took over Southwest China, a fair amount of scattered gold and silver holdings was reported uncovered in the course of liquidating the landlords and local "despots" and through extortionate fines during the Three-Anti and Five-Anti movements. Frequent exactions were made on the people to prevent them from turning their cash into goods. Southwest China was allocated 15 per cent of the 1950 Victory Bond series, amounting to a nationwide total of US$70 million;[19] assigned

19. Hsin Chung-kuo Ta-shih Chi-k'an [New China Events Quarterly], No. 4, Peking, Jen-min ch'u-pan-she, 1949, p. 127.

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a quota in 1951 of 8.3 per cent of the US$220 million amunition contribution for the Korean conflict;[20] and required to contribute 16 per cent of the total of US$220 million collected throughout the country during 1950 and 1952 in the Resist-America-Aid-Korea Movement.

In addition, Southwest China has been assigned a proportionate share of the Economic Construction Bonds amounting to US$250 million yearly since 1954. In 1954, 53.3 per cent of the issue was allocated to private industrial and commercial enterprises, the private partners of joint enterprises, and other city residents; 30 per cent to rural villages, and 16.6 per cent to workers, shop employees, working personnel of the government and public organs, and the cadres of the armed forces. In the 1955 allocation, the first category was reduced to 45% and the last category increased to 25%, the second category remaining the same.[21] An issue of Economic Construction Bonds for 1956 was announced in November 1955.

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20. Ho Yü-wen, Chung-kung Ts'ai-cheng Chieh-p'ou [An Analysis of Communist China's Finance], Hong Kong, Asia Press, 1953, p. 74.

21. Jin-min Jih-pao [People's Daily], Peking, Jan. 9, 1955.

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436 652 According to an estimate[22] made by the Communists in 1955, workers were required to pledge a little more than 7 yuan per head (about US$2.70) for their subscription to the Economic Construction Bonds, and the peasants, excluding those in calamity-stricken areas, were required to pledge an average of 0.4 yuan.

Since the government began the enforced purchase of grains, cotton, and oil-bearing crops, hardly any staple commodities have been left for the people to hoard, and the bond subscriptions have consumed what little cash might have been available for saving. In view of the past ingenuity of the people in the Southwest Region to defend themselves against inflation, it remains to be seen whether currency control will remain effective, and if so, how it will influence incentives for agricultural and industrial production.

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22. Ibid.

2: Rock K-5 (1934-) 1947 AF16 Southwest China AF16

thence to Ta-shui-kou 大水溝 situated on a bend of the great river. Twenty li beyond Huan-fu-p'ing we come to an exceedingly narrow part of the Mekong gorge, arid in the extreme, and scarcely more than a trench. The trail which leads through the gorge is passable for porters only, while the mule caravans pass over the mountain-side at its entrance, emerging near Nyi-thang (Ta-pa-tzu 大壩子). This gorge is called Do-lung [42] in Tibetan, and To-lo 多絡 in Chinese. The trail is one of the worst on the entire stretch to A-tun-tzu, and is simply an echelon, built by means of slender props against the cliff, a sort of trestle-work spanning a chasm. Where the Mekong enters the gorge there is a fierce rapid but in the gorge itself the river flows placidly enough. Nyi-thang [43] called To-lo-t'ang 多絡塘 in Chinese, is a Tibetan village situated on a flat spur north of the Do-lung gorge, and consists of a few houses only (PLATE 165).

Money is here valueless, for the peasants of this area will sell nothing, but are willing to exchange grain or other victuals for salt and coarse Chinese tea, two commodities unobtainable in this region. The peasants are much afflicted with goitre.

From here one has the first glimpse of the mighty promontory of the Kha-wa-kar-po [44] range, Mt. Me-tse-mo,[45] the southernmost and highest mountain of that magnificent divide. On a manuscript map of the district of A-tun-tzu in the Provincial Library at K'un-ming, the range is marked Yung-chih hsüeh-shan 雍支雪山, after a village called Yung-chih, situated on the eastern slopes, and on the west bank of the Mekong. The northern end of the same range is marked as Tu-ch'ü-ling hsüeh-shan 都克嶺雪山. Mt. Me-tse-mo is a wonderful dome, standing separately and projecting from the rest of the range; it is covered with immense masses of snow, with buttresses on each side at the base of the peak. In the early hour of dawn the dome looked a death-like grey, cold and forbidding, but as soon as the sun shone on its almost vertical snow-fields it turned to a rich pink, while the Mekong valley was still sleeping in deep, gloomy shadows.

The trail leads past a narrow lateral gorge and then opposite the Lung-dre canyon which debouches from the west, misty and mysterious, into the Mekong. Up Lung-dre gorge a trail leads to the Zhi-dzom La (bZhi-hdzom-la) [46] and to the Salween.

Yang-tsa village. — Cypress trees (*Cupressus Duclouxiana*) line the Mekong river banks; the valley becomes narrower and more arid, the walls steep and furrowed by huge land-slides. The hamlet of Se-ra-thang (Se-lo-t'ung 色勒通) is here situated on a small meadow with the mountain walls rising steeply back of it. A few li beyond and the scenery is still more arid save for the cypress trees; not far beyond is the village of Yang-tsa 羊咱, also called La-tsa 拉咱, a few scattered houses among boulders. Three rope-bridges are stretched across the river here (PLATE 166). In the autumn

[42] rDo-lung རྡོ་ལུང (Rock valley). [43] རྙིང་ Nyi-thang or gNyis-thang གཉིས་ཐང

[44] Khwa-dkar-po ཁྭ་དཀར་ or Kha-wa-dkar-po gangs-ri [45] sMad-rtse-mo སྨད་རྩེ་མོ

[46] bZhi-hdzom-la གཞི་འདོམ་ལ་

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000 it on our right, passed through the village of T'ang-ch'ih, in the middle of which is a hot sulphur spring and a bathing-tank, much frequented by the rheumatic. After this we crossed another range, and descended steeply to the Yi-liang plain, which lies at 5,300 feet, an exceptionally low level for this part of Yün-nan.

361 The town contains about 800 houses and is surrounded by the usual wall, but most of the inns and shops are in [436] a suburb outside the north gate. Their cotton and foreign goods reach them through Tong-king, and the only important local product is opium, which grows well here. The place is usually called Ni-liang by the Yün-nanese, and locally it is also known as Mi-liang.

The next day at the far edge of the plain we forded a river 70 yards wide, which runs down from Ch'ü-ching Fu, and then ascended on to a large plateau over which our route lay for the rest of the way to Lu-liang Chou.

133 This plateau ends to the north in a precipitous descent to the Ch'ü-ching River[1], while to the south the haze prevented me from seeing how far it extended. The general elevation averages well over 6000 feet, and it undulates so gently that carts are used all over it. There are a few fir trees in places, but the general character of the country is very bare and dry, with little rocky mounds rising out of it. Great pillars of sandstone rock 15 or 20 feet high standing in groups form a curious feature of the landscape, and might easily be taken for ruined buildings when seen [241] in the distance through the haze. The crops in this plateau are very poor and scanty: opium seems to grow better than anything else.

000 After two days and a half over this somewhat monotonous country, we again reached the Ch'ü-ching River. Crossing it by a fine thirteen-arch stone bridge, 120 yards long, we soon entered Lu-liang, which lies a little higher up on the right bank. The river here has a slow current and a depth of apparently three or four feet, but lower down between here and Yi-liang it seems to run in a deep gorge, and I could hear of no road up its banks in this part of its

[1] I do not think that the Chinese call the river by this name in this part of its course, but as it runs down from Ch'ü-ching Fu, I have thought best to so name it.

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579 186 and fire at them with guns. Their shooting was so bad that no one was ever hit, and they would run away if attacked, but this sort of thing naturally interfered with survey operations. The officials were always friendly, and increased Pottinger's escort of Chinese soldiers to 150 men, 20 of whom were armed with mausers.

Even in Kuei-chou province on this side of Pi-chieh these attacks began again, and Pottinger warned them that if there was any more opposition to his movements he would fire on them. The next day they began rolling stones down again, and Pottinger and Hunter attacked them with the twenty mauser-armed Chinese soldiers. Three of the Chinese were killed, and there was after that no further trouble.

These disturbances were probably due to the rebellion of Yü-man-tzû, which spread over a great part of Ssû-ch'uan the year before, and had hardly been repressed at the time Pottinger was passing through that province.

We got back to Wei-ning in two days and found that Watts-Jones had also returned there. We put up in very good quarters in the mining office. They have a lot of boilers and other mining machinery here, which are the property of the Yün-nan Province Government, who have never used them and want to sell them, but are hardly likely to find a purchaser here.

•436 We halted the next day to wait for Hunter, and went to call on the civil mandarin and on the general. The former showed us his mint where cash are coined. They are made of a mixture of copper, lead, and zinc which when melted is poured into a mould which makes 200 or 300 cash at once. Not many are coined here: most of the copper is sent to Kuei-yang, the capital of the province.

The price the Government give for copper is 11 taels for 100 catties. This comes to about threepence a pound, a price which, the mandarin says, is not enough to make copper-mining pay. This I can well believe. I have often wondered how cash could be coined so as not to cost more than they are worth as money, but no doubt at this price it can be done.

The cash is the only real coin that exists over the greater part of China. Roughly speaking its value is about a tenth

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•436 of a farthing, so that it is impossible to take large sums about in this form. One has, therefore, to carry lumps of silver, which, in order to make small purchases, one has to weigh and exchange into cash at so many to a tael[1]. The exchange differs enormously in different towns of the same province even. I have in Yün-nan got as many as 1,400 cash for a tael and as few as 950. Sometimes too .o make it still more confusing, there are two sorts of cash big and small, which naturally have different rates of exchange. Money-changers do a very profitable business, as in each string of 100 cash there are always two or three short. This is a recognised thing, and besides this legitimate profit, they make more by charging the unwary a higher rate than the market tariff.

The amount of silver which the traveller has to carry about with him, besides being a serious addition to the weight of his baggage, is always a source of anxiety. There is the danger of theft, and the possibility in a rough country of the box containing it tumbling into a river.
453 Happily it is not necessary to carry in silver the whole of the money necessary for a long expedition. There is an excellent system of banking throughout China, and credit notes obtained from Mandalay or Bhamo can be cashed at the branches of the same firm at Hsia-kuan, Yün-nan Fu and other places.

000 Hunter arrived on the evening of the 26th April, and we were able to make our plans for the future. The country between Wei-ning and the Yangtze had been found so difficult that it was necessary to see if a better line could be discovered by any other route. Pottinger and Hunter were therefore to go to Chên-hsiung Chou (lat. 27° 30′, long. 104° 45′) by different roads, and from there if possible to separate again and find different ways to the Yangtze. Watts-Jones was to strike across to Chao-t'ung Fu (lat. 27° 20′, long. 103° 40′) and on to the Yangtze at Sui Fu. Myself, I had to meet Turner and Ker at Yün-nan Fu, so I turned westwards again, taking the road for Tung-ch'uan Fu (lat. 26° 25′, long. 103° 10′), so as to see unexplored country.

[1] A Chinese weight of about 1⅓ oz., and worth at present about three shillings.

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a great feast on them: in other places we got the villagers to pick for us the kinds of wild leaves which they knew to be edible. 262

Unlike the Chinese and Indo-Chinese races who never milk cows, the Tibetans are very fond of milk and butter, and these we were always able to buy. But Tibetan ideas of cleanliness are such as would horrify an English dairy farmer. The wooden buckets into which they milk the cows are *never* washed or cleaned in any way, and consequently the inside of them is thickly coated with a slimy white substance, the remains of the milk of years. The result of course is that directly the milk touches the bucket it turns sour. We were only able to get fresh milk by having the cows milked into our own cooking pots, but the butter made out of the Tibetans' milk was naturally very nasty. However, one gets used to anything, and the Tibetan climate gives one a healthy appetite. We soon resigned ourselves to eating our chupatties with rancid butter and with honey that was chiefly beesmeat. 234

The principal food of the Tibetans is "tsamba," which is made by roasting barley and then grinding it into flour. The Tibetan has only to mix a little of this with tea in the basin that he always carries in the breast of his coat, and he has a meal ready at once. We tried tsamba and found it excellent; we used to make it with hot water and eat it with milk like porridge. 262

The money used in this part of Tibet is the Indian rupee. They do not care about Chinese silver, and we converted all our silver into rupees at A-tun-tzŭ. Small change does not exist: there are no four anna or two anna pieces. So the Tibetans adopt the rough and ready expedient of chopping rupees into pieces with a big knife and a hammer. Besides rupees chopped some into three pieces, and some into four pieces, we also found it convenient to carry about some of the Chinese brick tea which is the universal beverage of Tibet. Tea is so indispensable to the Tibetans that the disc shaped "bricks" will pass current everywhere, and are often preferred to silver. 436

To return to our journey, we left the Ba-t'ang road at Tsong-en, and keeping down the bank of the Chiang-ka River we slept at the village of Bo-tsa.